

## Message Text

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47

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 161040Z AUG 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2913

C O N F I D E N T I A L ALGIERS 1830

EXDIS

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

E.O. 11652: GDS

TAGS: PFOR, ENRG, AG, US

SUBJ: US-ALGERIAN ECONOMIC RELATIONS: CHEMCIO CONTRACT

REF: (A) ALGIERS 1642 (B) ALGIERS 1673

1. YOU WILL RECALL THAT DURING YOUR RECENT VISIT BOTH BOUMEDIENE AND ABDESSELAM SPOKE TO YOU ABOUT CHEMICO CONTRACT FOR CONSTRUCTION LNG PLANT AT ARZEW. BOUMEDIENE USED TERM QTE BLACKMAIL UNQTE IN DESCRIBING CHEMICO'S ATTITUDE, AND ABDESSELAM EXPLAINED THAT COMPANY WAS THREATENING TO WALK OUT ON CONTRACT IF GOA DID NOT PICK UP TAB FOR THEIR COST OVERRUN. ON AUGUST 14 I CALLED ON SONATRACH PRESIDENT GHOZALI FOR FULLER EXPLANATION ALGERIAN COMPLAINT. SUBSTANCE OF HIS REMARKS IS REPORTED SEPTEL.

2. WHILE GHOZALI POLITE AND FRIENDLY, HIS REMARKS, COMBINED WITH THOSE OF BOUMEDIENE AND ABDESSELAM, MAKE IT CLEAR THIS PROBLEM HAS RAMIFICATIONS BEYOND SIMPLE COMMERCIAL DISPUTE BETWEEN US FIRM AND FOREIGN GOVERNMENT. ARZEW IS LARGEST SINGLE PROJECT IN WHICH US FIRM INVOLVED IN ALGERIA TODAY. IT IS OF MAJOR IMPORTANCE TO ALGERIAN ECONOMIC DEVELOPMENT. CHEMICO SHARE OF TOTAL PROJECT FROM GAS FIELD TO TANKERS IS BETWEEN 15 AND 20 PERCENT AND IS INDISPENSABLE IN COORDINATED CHAIN OF PROJECT. IF CHEMICO DOES NOT  
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PERFORM ADEQUATELY, ALGERIA IS GOING TO HAVE TO ACCEPT

MAJOR FINANCIAL LOSSES, ALL AMERICAN FIRMS OPERATING IN ALGERIA WILL SUFFER FALLOUT, AND WORLD-WIDE REPUTATION OUR LNG TECHNOLOGY WILL BE DISCREDITED. IT IS ALSO GOING TO AFFECT DIRECTLY INTERESTS OF ELPASO NATURAL GAS, WHICH HAS MAJOR STAKE IN PROJECT, AS WELL AS THOSE OF EVENTUAL CONSUMERS IN U.S.

3. IF PROJECT GOES SOUR IT WILL ALSO HAVE POLITICAL CONSEQUENCES. ALGERIANS WILL SEE OUR ATTITUDE AS IMPORTANT GUAGE OUR UNTIMATE INTENTIONS TOWARD THEM. IF WE DO NOTHING AND LEAVE PROBLEM FOR CHEMICO AND SONATRACH TO SORT OUT AS BEST THEY CAN AND AMIABLE ARRANGEMENT NOT REACHED, ALGERIANS ARE GOING TO BE BITTER AT WHAT THEY WILL REGARD AT BEST AS OUR INDIFFERENCE IF NOT HOSTILITY.

4. BASIC PROBLEM IS ALGERIAN LACK OF CONFIDENCE IN CHEMICO'S INTENTIONS, A LACK WHICH THEY FEEL IS JUSTIFIED BY CHEMICO PERFORMANCE TO DATE AND BY ATTITUDES DISPLAYED BY SENIOR OFFICIALS CHEMICO AND AREOJET GENERAL IN CONVERSATIONS WITH GHOZALI. I MUST SAY THAT ON BASIS OUR OWN OBSERVATIONS ALGERIANS HAVE CASE. CHEMICO HAS HAD TO FACE USUAL PROBLEMS OF OPERATING HERE, BUT APPARENTLY HAS NOT MADE SORT OF EFFORT ALGERIANS HAD RIGHT TO EXPECT. GHOZALI MADE CLEAR CHEMICO PERFORMANCE AND ATTITUDE UNIQUE AMONG US FIRMS HE HAS WORKING HERE.

5. DO NOT KNOW WHAT ACTIONS DEPARTMENT CONTEMPLATING IN REGARD THIS MATTER, BUT REPEAT RECOMMENDATION CONTAINED REF B THAT WE GIVE HIGH LEVEL INDICATION OF CONCERN TO AEROJET GENERAL. ALSO HOPE IT WILL BE POSSIBLE FOR EXIM TO TAKE SYMPATHETIC LOOK AT FORTHCOMING ALGERIAN APPLICATION FOR CREDIT TO HELP FINANCE CHEMICO OVERRUN.

6 DETAILED ACCOUNT OF GHOZALI'S REMARKS IS CONTAINED SEPTTEL. I RECOMMEND YOU TAKE TIME TO READ THEM.  
PARKER

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 28 MAY 2004  
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